

Message Text

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DRAFTED BY EB/OCA/CD:PTO'CONNOR:DJT

APPROVED BY EB/CSB:JWBILLER

COMM:JTABOR EB/OCA:NSLAKAS

COMM:TDOBBIN PER:JBOYLE

COMM:CHOSTLER

COMM:LFOX EB/IFD:PBOEKER

COMM:SKATZ

"OMM:JBATALLER

E:CROBINSON S/S:JPMOFFAT

EB/ITP:MGLITMAN

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FM SECSTATE WASHDC

TO ALL DIPLOMATIC AND CONSULAR POSTS

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INFORM CONSULS

E.O. 11652: N/A

TAGS: BGEN, XX

SUBJECT: STATE-COMMERCE QUARTERLY MEETING

1. EIGHTH STATE-COMMERCE QUARTERLY MEETING TOOK PLACE JUNE 17. IN SECRETARY MORTON'S ABSENCE, UNDER SECRETARY TABOR CHAIRED THE MEETING FOR COMMERCE. UNDER SECRETARY ROBINSON CHAIRED FOR STATE. ADVISORS ACCOMPANIED BOTH PRINCIPALS.

2. SHORTAGE OF E/C OFFICERS. TABOR NOTED THAT MANY

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PROBLEMS HAD BEEN SETTLED THROUGH THE QUARTERLY MEETINGS,

BUT SOME REMAINED. STILL UNRESOLVED WERE PERSONNEL ISSUES CONCERNED WITH EXCHANGE PROGRAM AND SHORTAGE OF E/C OFFICERS. TABOR SUGGESTED SEVERAL WAYS THAT LATTER SITUATION MIGHT BE ALLEVIATED. STATE RESPONDED THAT ECONOMIC PROBLEMS HAD MOVED TO FOREFRONT IN RECENT YEARS, AND THAT MORE E/C OFFICERS HAVE HAD TO BE ASSIGNED TO RELATED PRIORITY TASKS. STATE SAID IT WAS AWARE OF SHORTAGE PROBLEM, AND IN TAKING STEPS TO RESOLVE IT AGREED TO CONSIDER MEASURES PROPOSED BY COMMERCE. COMMERCE PROPOSALS INCLUDE, FOR SHORT TERM, EXPANDED LATERAL ENTRY FROM PRIVATE SECTOR, INCREASED FSR APPOINTMENTS FOR QUALIFIED COMMERCE EMPLOYEES, ACCORDING HIGHER PRIORITY TO FILLING ECONOMIC/COMMERCIAL POSITIONS OVERSEAS THAN IN WASHINGTON, AND, FOR LONGER TERM, ESTABLISHMENT OF WORKING GROUP WITH REPS FROM STATE, COMMERCE, OMB TO

DEVISE MEANS WHEREBY RECRUITMENT WOULD BE GEARED TO MEET FUTURE NEEDS FOR ECONOMIC/COMMERCIAL EXPERTISE.

3. MTN NEGOTIATING STRATEGY. COMMERCE SUMMARIZED PRELIMINARY REACTIONS OF THE 27 ISAC'S (INDUSTRY SECTOR ADVISORY COMMITTEES). THE RESULTS SO FAR REVEAL (A) GREATER THAN ANTICIPATED SUPPORT FOR CONCEPT OF HARMONIZATION AND SECTORAL APPROACH, (B) SOME INDUSTRY COMMENTS THAT USG HAD GONE TOO FAR IN PROMISES TO TRADE OFF INDUSTRIAL FOR AGRICULTURAL CONCESSIONS. (C) NO U.S. NTB'S OF REAL SIGNIFICANCE, WHILE MANY ABROAD; KEY NTB'S IDENTIFIED FOR NEGOTIATION WERE GOVERNMENT PROCUREMENT, STANDARDS AND SUBSIDIES.

4. EXIMBANK FINANCING GUIDELINES. COMMERCE EXPRESSED HOPE THAT STATE WOULD SUPPORT A FLEXIBLE AND FAIRLY AGGRESSIVE POSTURE FOR EXIMBANK. ROBINSON, NOTING DIFFICULTY IN NEGOTIATING A "GENTLEMEN'S AGREEMENT" AT THIS TIME, SAID IT WAS IMPORTANT THAT U.S. MAINTAIN ITS LONG-TERM LOAN COMPETITIVENESS, SEEK TO REMOVE ARTIFICIAL INDUCEMENTS IN INTERNATIONAL TRADE, AND RESOLVE ISSUES RAISED BY TREASURY. AS CONGRESS CURRENTLY APPEARS WARY OF EXIMBANK POLICIES WE MUST DEVISE A MORE COHESIVE APPROACH TO THESE POLICIES IN ORDER TO AVOID UNDESIRABLE LEGISLATION.

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5. COMMERCE SAW REAL PROBLEM IN DISPARITY OF CREDIT APPROACHES AMONG COMPETITOR NATIONS (E.G., SOME GOVERNMENTS COVER 90 OF AN EXPORT LOAN, OR USE FOREIGN AID PROGRAMS AS MECHANISM FOR CHEAP EXPORT CREDITS). COMMERCE NOTED TIME MIGHT BE RIPE TO REINTRODUCE LEGISLATION FOR A SPECIAL EXPORT CREDIT FUND FOR THE MSA'S (MOST SERIOUSLY AFFECTED LDC'S). STATE AGREED WITH COMMERCE THAT WE NEED

TO CONSIDER NEW APPROACHES TO FINANCING EXPORTS TO LDC'S.

6. COMMERCE NOTED CURRENT ADVANTAGE TO U.S. EXPORTS OF AN UNDERVALUED DOLLAR, BUT FORESAW THAT SITUATION WILL EVENTUALLY RIGHT ITSELF. COMMERCE VIEW IS THAT OUR BASIC TRADE POSITION IS BASED ON CAPITAL GOODS NOT AGRICULTURE, AND EXIMBANK FINANCING OF CAPITAL GOODS EXPORTS HAS DECLINED IN RECENT YEARS. THESE EXPORTS CANNOT APPRECIABLY INCREASE WITHOUT EXPORT FINANCING. COMMERCE BELIEVES THAT IT IS MISLEADING TO SAY THAT "GENTLEMEN'S AGREEMENT" IS GOOD FOR U.S. UNTIL SUCH OTHER PROBLEMS AS PERCENTAGE OF GOVERNMENT PARTICIPATION AND MIXED CREDITS ARE RESOLVED.

7.. EVALUATION OF STATE-COMMERCE PROGRAMS. STATE STATED ITS SATISFACTION THAT JOINT EVALUATION STUDIES HAD GOTTEN UNDERWAY. THE GOAL OF THE STUDIES IS TO HELP DETERMINE THE IMPACT AND COST-EFFECTIVENESS OF THE VARIOUS TRADE PROMOTION ACTIVITIES. THE PROCESS SHOULD ALSO SERVE AS A MEANS TO COUNTER FUTURE ARBITRARY BUDGET CUTS AND CHARGES THAT COMMERCIAL PROGRAM IS INEFFECTIVE. THE TARGET DATE FOR THE FIRST DRAFT IS MID-JULY. WE HOPE TO BE ABLE TO INCLUDE STATE AND COMMERCE SUPPORT COSTS AND THE PRO RATA SHARE FOR ALL BUSINESS SUPPORT ACTIVITIES.

8. DISC. COMMERCE FAVORS RETAINING DISC FOR USE AS A LEVER IN NEGOTIATIONS ON AN EXPORT SUBSIDY AND COUNTER-VAILING DUTY CODE. STATE EXPRESSED DOUBT THAT THE EUROPEANS OR JAPANESE WOULD GIVE UP MUCH FOR DISC, BUT AGREED TO SUPPORT COMMERCE'S EFFORTS TO USE PROGRAM FOR NEGOTIATING PURPOSES. KISSINGER

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